

North Carolina Department of Insurance



OFFICE OF STATE FIRE MARSHAL

Wayne Goodwin, State Fire Marshal

Rescue Squad Workers' Relief Fund

*Continuation Review Report
Per S.L. 2015-241 Sec.6.20
March 14, 2016*



Rescue Squad Workers Relief Fund

Program Objectives (G.S. 58-88-5(c)):

- To safeguard rescue/EMS workers harmed while performing rescue/EMS duties
- To support dependents of deceased rescue/EMS workers (harmed while in service)
- To award scholarships to children of active, retired or deceased rescue/EMS members
- To pay death benefits to dependents of deceased members
- To pay additional benefits approved by Fund Board of Trustees to Association members

Note: Board must certify that any Fund expenditures will not render fund actuarially unsound, if so benefits reduced pro rata.



Relevant Statutes (Article 88)

- § 58-88-5. Rescue Squad Workers' Relief Fund; trustees; disbursement of funds.
- § 58-88-10. Membership eligibility.
- § 58-88-15. Accounting; reports; audits.
- § 58-88-20. Justification of claim.
- § 58-88-25. Application for benefits.
- § 58-88-30. Administration costs.
- § 58-88-35. Prudent management of Rescue Squad Workers' Relief Fund.



Functions performed without Statutory Authority

The Department of Insurance performs no functions for this program that are not authorized by statute.

Program Performance Measures

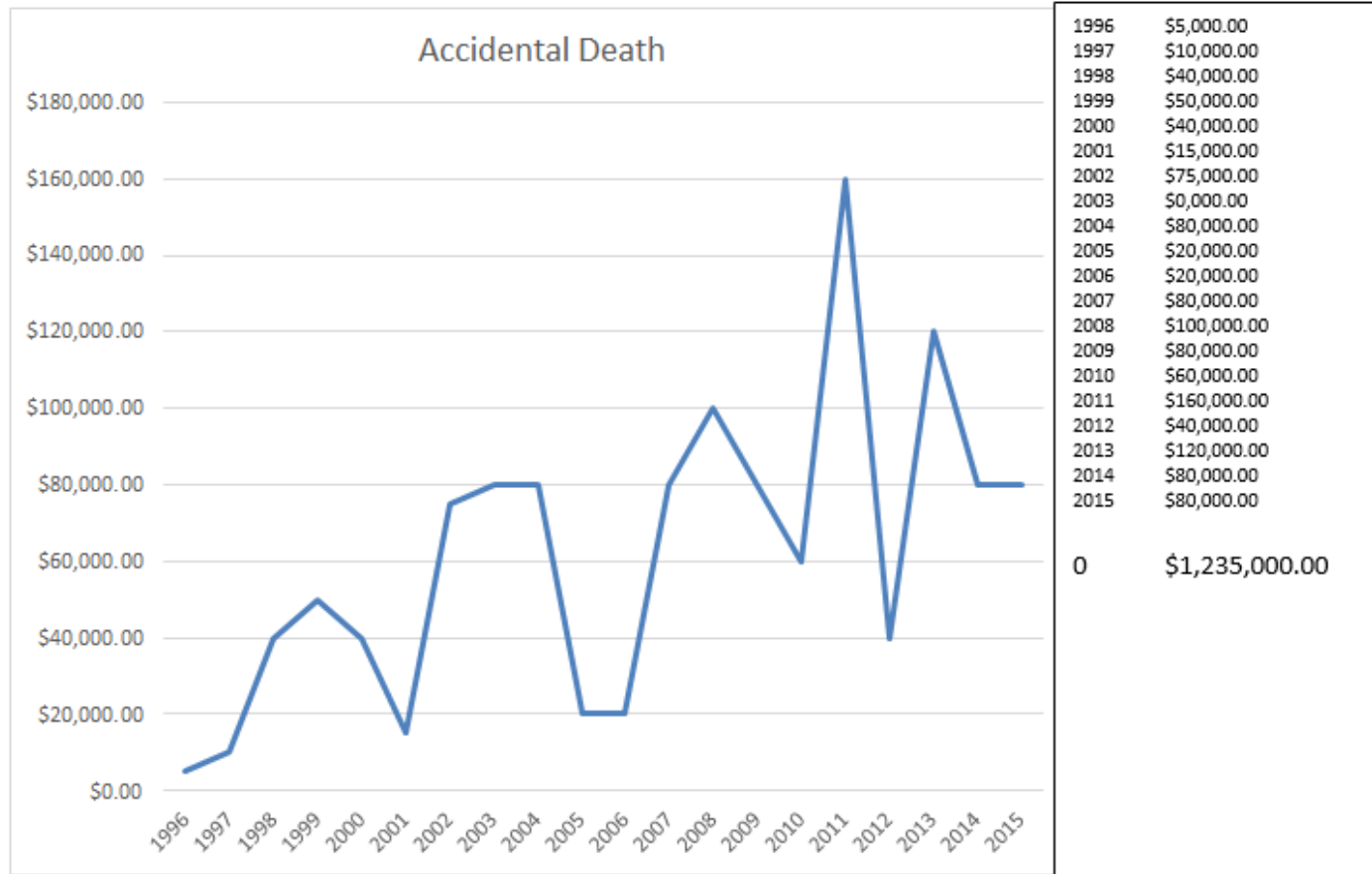
- Performance measures for Fund Distribution
- Current Program Activities
- Issues needing to be addressed



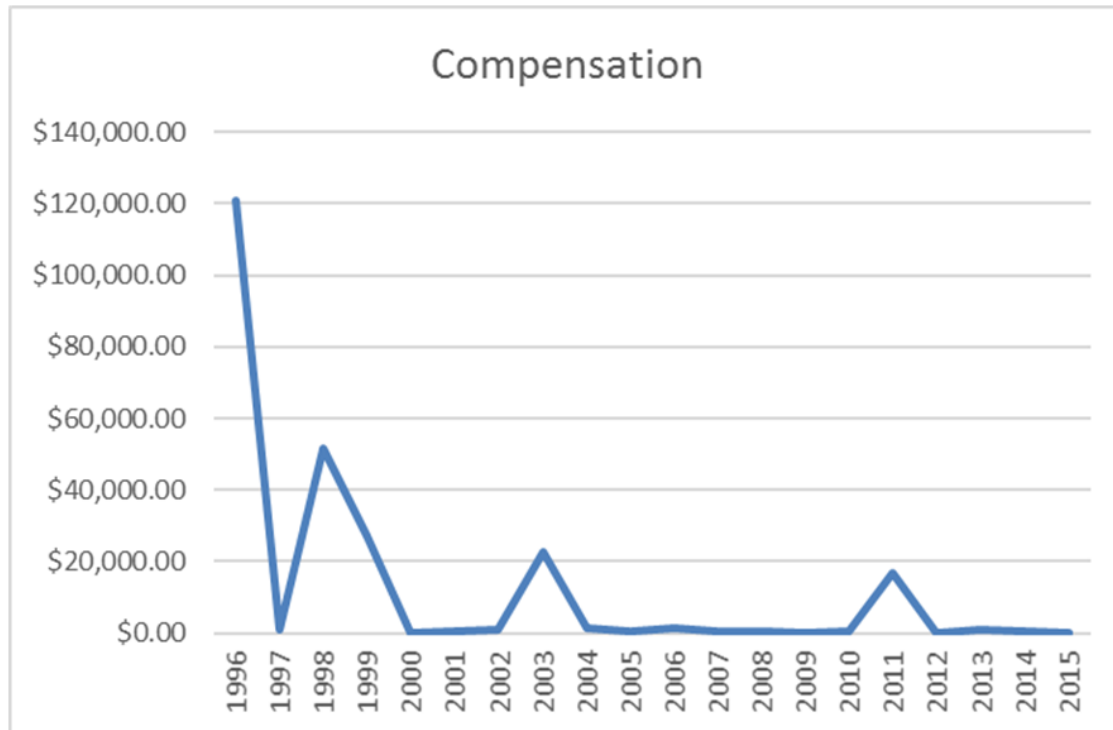
Program Fund Operations

- Funds are collected by the DOT from the Vehicle Safety and Emissions inspections (G.S. 20-183.7(c))
- Funds transferred from DOT to the Department of Insurance (DOI). DOI then transfers funds to the Association for disbursement to eligible beneficiaries
- North Carolina Association of Rescue and EMS (NCAREMS) manages program funds and administers applications for and disbursement of program funds to eligible applicants

Current Program Activity

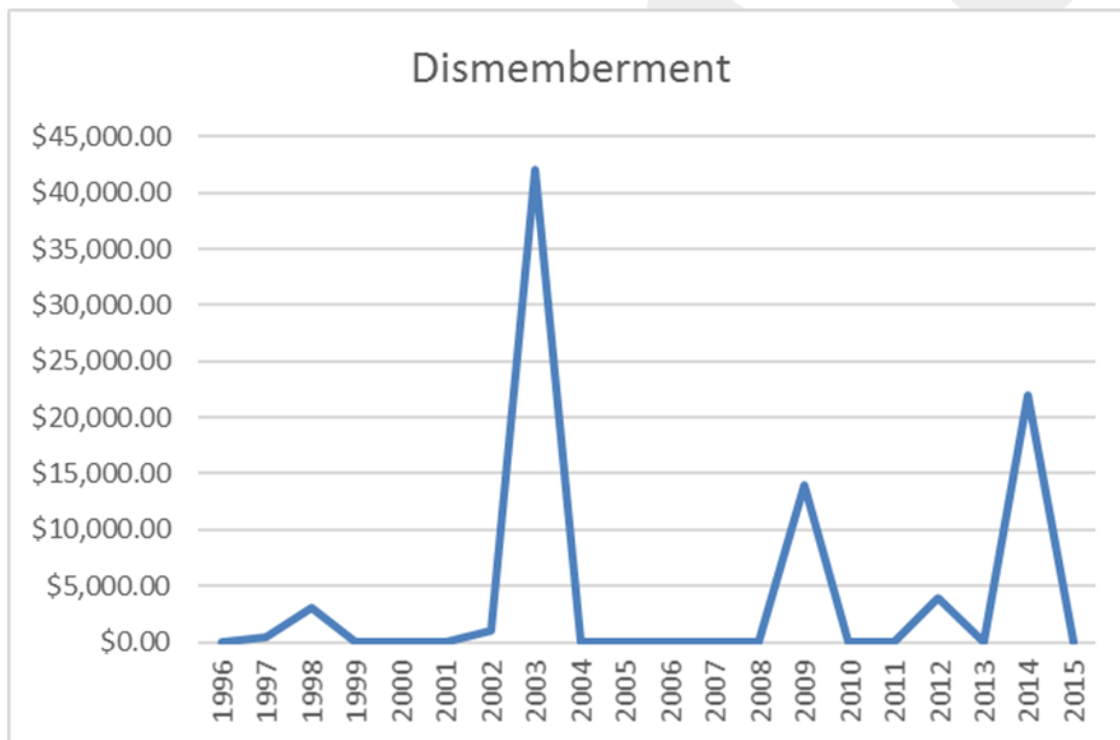


Current Program Activity



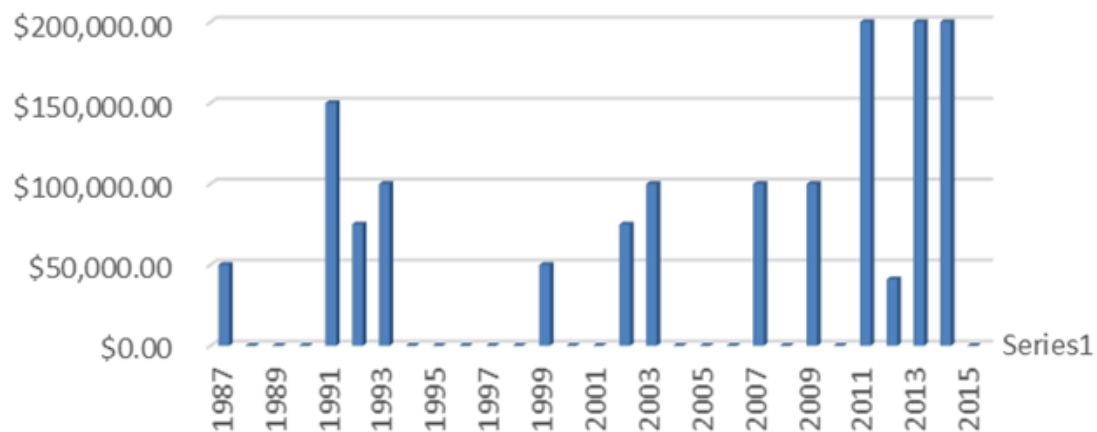
1996	\$120,744.00
1997	\$1,000.00
1998	\$51,621.00
1999	\$27,000.00
2000	\$0.00
2001	\$600.00
2002	\$1,000.00
2003	\$22,600.00
2004	\$1,600.00
2005	\$600.00
2006	\$1,400.00
2007	\$600.00
2008	\$400.00
2009	\$200.00
2010	\$400.00
2011	\$16,600.00
2012	\$0.00
2013	\$800.00
2014	\$400.00
2015	\$0.00

Current Program Activity



1996	\$0.00
1997	\$500.00
1998	\$3,000.00
1999	\$0.00
2000	\$0.00
2001	\$0.00
2002	\$1,000.00
2003	\$42,000.00
2004	\$0.00
2005	\$0.00
2006	\$0.00
2007	\$0.00
2008	\$0.00
2009	\$14,000.00
2010	\$0.00
2011	\$0.00
2012	\$4,000.00
2013	\$0.00
2014	\$22,000.00
2015	\$0.00

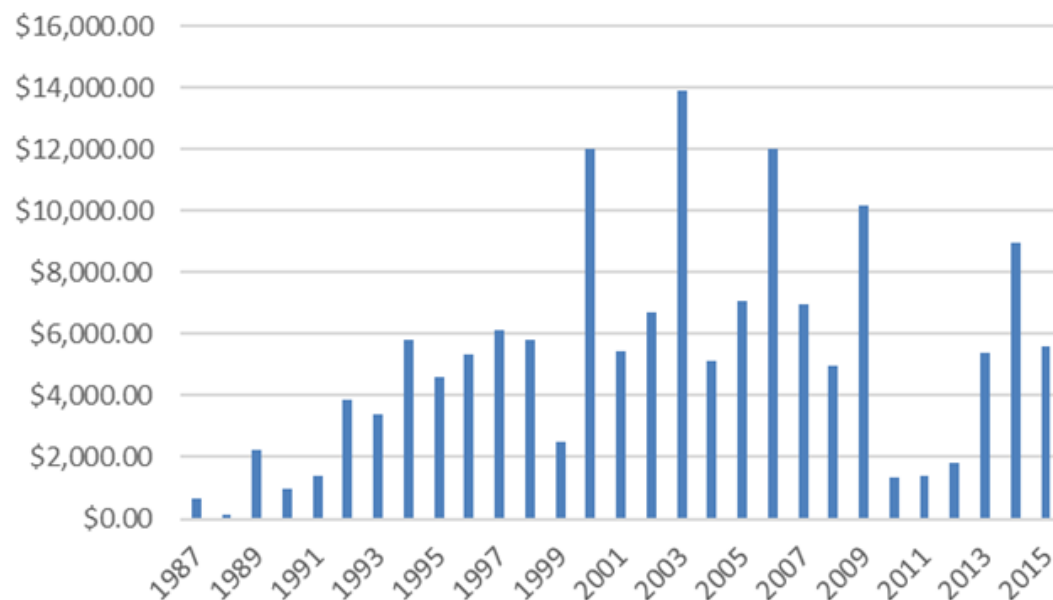
Line of Duty Death



Year In Line of Duty Death

1987	\$50,000.00
1988	\$0.00
1989	\$0.00
1990	\$0.00
1991	\$150,000.00
1992	\$75,000.00
1993	\$100,000.00
1994	\$0.00
1995	\$0.00
1996	\$0.00
1997	\$0.00
1998	\$0.00
1999	\$50,000.00
2000	\$0.00
2001	\$0.00
2002	\$75,000.00
2003	\$100,000.00
2004	\$0.00
2005	\$0.00
2006	\$0.00
2007	\$100,000.00
2008	\$0.00
2009	\$100,000.00
2010	\$0.00
2011	\$200,000.00
2012	\$41,148.00
2013	\$200,000.00
2014	\$200,000.00
2015	\$0.00

Injury



Year	Injury
1987	\$652.56
1988	\$146.15
1989	\$2,243.14
1990	\$964.80
1991	\$1,413.18
1992	\$3,855.81
1993	\$3,378.24
1994	\$5,791.47
1995	\$4,607.82
1996	\$5,312.08
1997	\$6,115.94
1998	\$5,837.67
1999	\$2,488.20
2000	\$12,036.00
2001	\$5,439.06
2002	\$6,729.22
2003	\$13,914.76
2004	\$5,140.24
2005	\$7,082.03
2006	\$12,000.50
2007	\$6,951.48
2008	\$4,974.96
2009	\$10,200.00
2010	\$1,321.85
2011	\$1,404.00
2012	\$1,817.07
2013	\$5,369.55
2014	\$8,975.25
2015	\$5,618.99

Summary of Injury & Death Benefits

Totals – All Years

Accidental Death \$ 1,235,000.00

Compensation \$247,765.00

Dismemberment \$88,000.00

Line of Duty Death \$1,475,000.00

Injury \$151,782.02

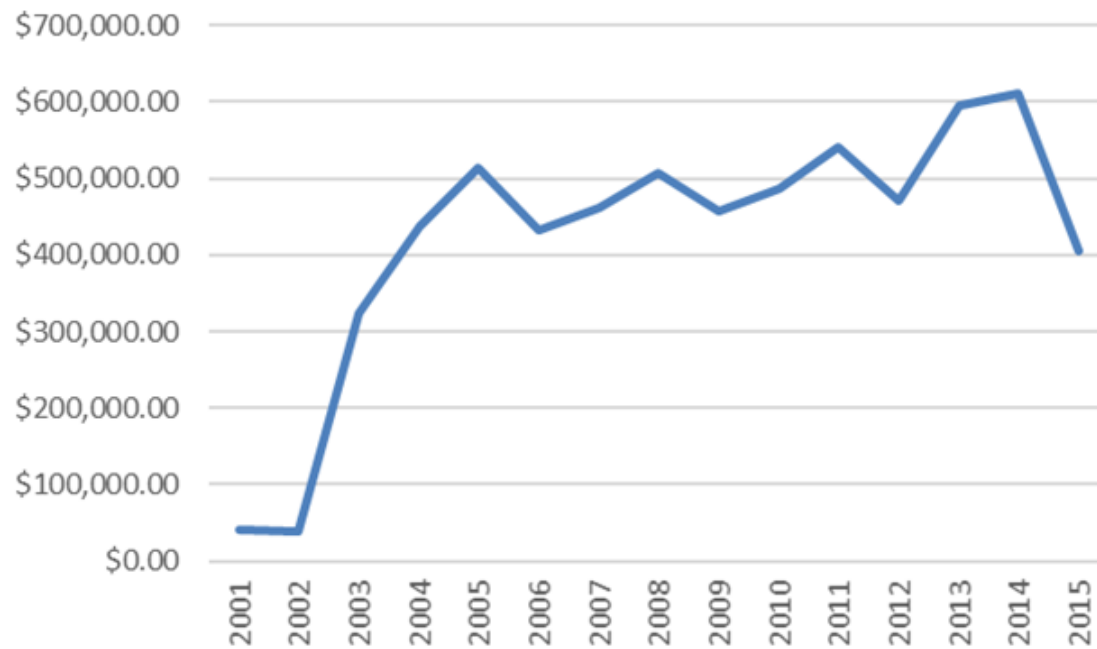
Program Totals: \$3,197,547.02

Non-Duty Death



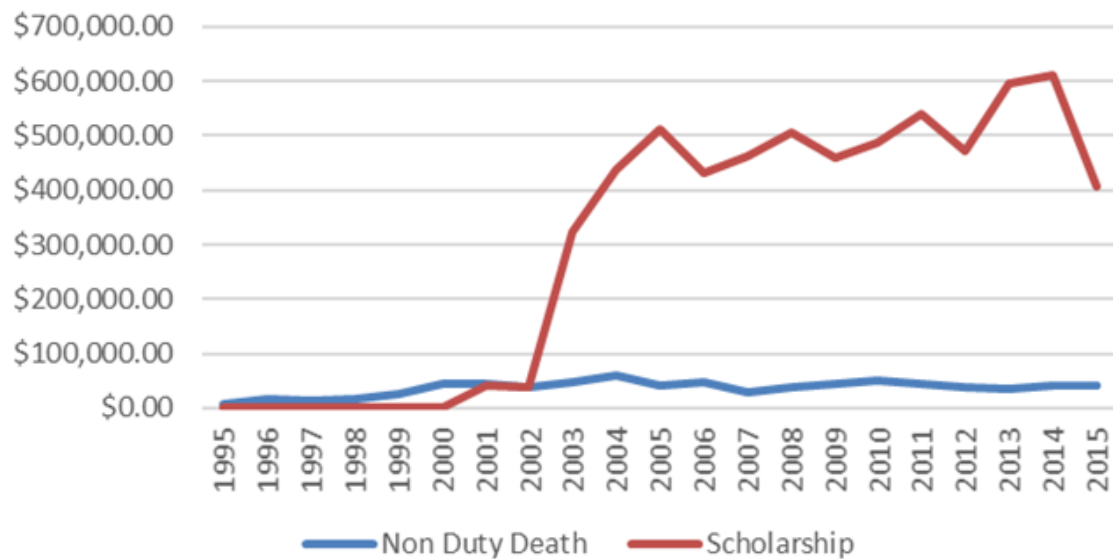
Year	Non Duty Death
1995	\$6,000.00
1996	\$15,500.00
1997	\$14,000.00
1998	\$16,500.00
1999	\$27,000.00
2000	\$44,000.00
2001	\$44,000.00
2002	\$39,000.00
2003	\$47,000.00
2004	\$60,000.00
2005	\$41,000.00
2006	\$49,000.00
2007	\$29,000.00
2008	\$39,000.00
2009	\$44,000.00
2010	\$52,000.00
2011	\$45,000.00
2012	\$37,000.00
2013	\$35,000.00
2014	\$41,000.00
2015	\$42,000.00

Scholarships



Year	Scholarship
2001	\$40,500.00
2002	\$39,000.00
2003	\$323,750.00
2004	\$436,750.00
2005	\$513,250.00
2006	\$433,000.00
2007	\$462,500.00
2008	\$506,500.00
2009	\$458,250.00
2010	\$487,000.00
2011	\$540,000.00
2012	\$470,750.00
2013	\$595,500.00
2014	\$611,000.00
2015	\$406,250.00

Summary of non-duty deaths and scholarships



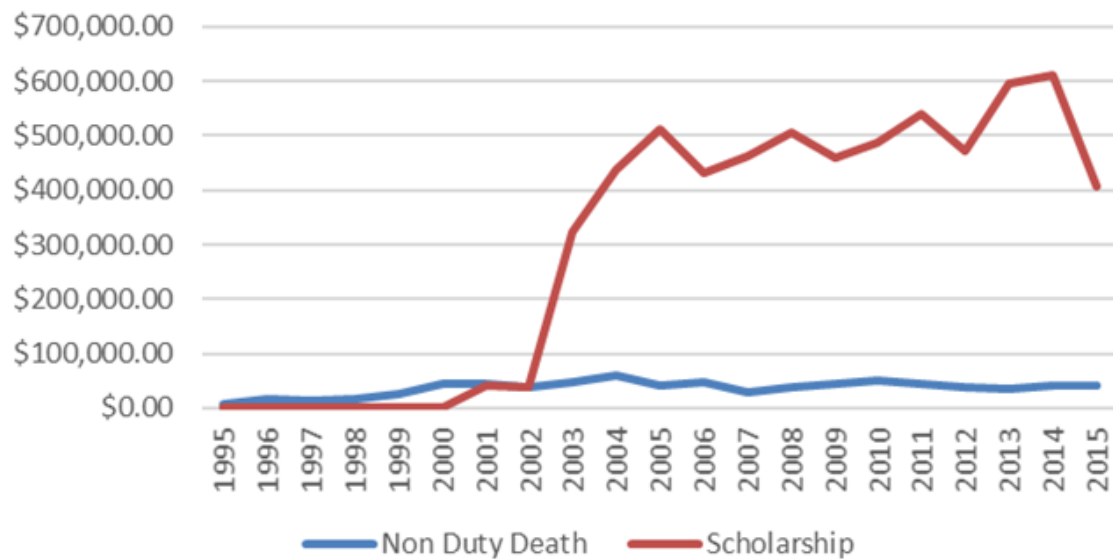
Totals – All Years

Non-Duty Death
\$767,000.00

Scholarships \$6,324,000.00

****Program Totals: \$7,091,000.00**

Summary of non-duty deaths and scholarships



Totals – All Years

Non-Duty Death
\$767,000.00

Scholarships \$6,324,000.00

****Program Totals: \$7,091,000.00**

All Program Distributions

Accidental Death	\$ 1,235,000.00
Compensation	\$247,765.00
Dismemberment	\$88,000.00
Line of Duty Death	\$1,475,000.00
Injury	\$151,782.02
Non-Duty Death	\$767,000.00
Scholarships	\$6,324,000.00

Program Totals: \$10,288,547.02



Policy Issues for NCGA Attention

- Department acknowledges issues identified in recent Program Evaluation Division study of Rescue Squad Workers' Relief Fund program



Policy Issues for NCGA Attention

PED concern about rate of disbursements, investments, and uses of Fund moneys

PED observations:

- *Fund balance has more than doubled in the last 10 years and now exceeds \$6 million*
- *\$1.9 million of relief fund money expended purchasing new office*
- *Lack of specific guidance on acceptable investment of Fund moneys*



Policy Issues for NCGA Attention

**PED concern about need for enhancing oversight of
Program operations and Fund uses**



Response to PED-identified concerns

S.L. 2014-64, Sec. 1.(g) created new provision:

“§ 58-88-35. Prudent Management of Rescue Squad Workers’ Relief Fund.

The Association shall manage the Rescue Squad Workers' Relief Fund as a prudent trustee of the funds, subject to Chapter 36E of the General Statutes.”



Response to PED-identified concerns

Annual report to NCGA Appropriations Committees (S.L. 2014-64, Sec. 1.(h)) about:

- NC Firemen's Association
- NC Association of Rescue and Emergency Medical Services
- Each local firefighters' relief fund board
 1. *The total amount of money disbursed from the relief funds controlled by each of the entities.*
 2. *The amount of money spent by each entity for each of the statutorily permissible uses.*
 3. *Each entity's ending fund balance.*

Achieving Objectives and Performance

- Detail provided by new reports now enabling Department to confirm the proper distribution of funds
- Fund utilization by category now tracked and reconciled
 - Between DOI initial distribution of funds to NCAREMS and annual financial report from NCAREMS to DOI



• Accounting

Rescue Squad Workers' Relief Fund

GS 58-88-5

Cost Center - 2122

	SFY 2014	SFY 2015
Requirements	\$958,149	\$991,828
DOT Highway Fund (DMV State Inspections Program)	\$957,352	\$991,827
Total Actual Revenue	\$957,352	\$991,827



S.L. 2014-64 guidance to DOI

Sec. 1.(h) “The report also should describe any problems with data collection and quality and, if applicable, make recommendations on actions the General Assembly could take to resolve any data issues.”



Post 2014-64 DOI Procedures

Following receipt of Board report to DOI (per 58-88-15), staff:

- Standardize the data provided by NCAREMS using Fire Department Identification (FDID)
- Review report for statutory compliance
- Identify any discrepancies in the use of the fund



Post 2014-64 DOI Procedures

DOI report review and potential violation procedures:

- Investigate any identified misuse of the funds
- Involve the Department of Insurance Criminal Investigations if any fraud is discovered and facts support investigation
- Propose further action wherever warranted
- Make recommendations to NCGA to resolve issues, as identified



Recommendation 1

The General Assembly should consider directing NCAREMS to:

- Finance the real estate purchased with State funds, as referenced in 2014 PED study
- Develop a written repayment plan, using non-State funds
 - Plan to be approved by DOI and implemented within one year of NCGA directive



Recommendation 2

The General Assembly should consider providing guidelines for acceptable investment uses of Fund moneys

Recommendation 3

The General Assembly should consider refining parameters of acceptable disbursement of funds under § 58-88-5.(c)(4a)

- Current language is extremely broad:

“(4a) To pay additional benefits approved by the Board of Trustees of the Fund to rescue and EMS workers who are eligible pursuant to G.S. 58-88-10 and who are members of the Association.”

— Total disbursements per 58-88-5.(c)(4a) is \$4,218,864.96

Accidental Death, Dismemberment, Natural Death, Compensation and Member Scholarships

Consequences of Discontinuing or Alternate Funding

- Discontinuing Funding
- Funding from other than DOT funds



Consequences of Discontinuing Funding

Removal of this fund would place rescue and EMS workers and their families at financial risk



Statutory Functions of Fund

NCGS 58-85-5(c)(1)

- “To safeguard any rescue or EMS worker in active service from financial loss, occasioned by sickness contracted or injury received while in the performance of his or her duties as a rescue or EMS worker



Statutory Functions of Fund

NCGS 58-85-5(c)(2)

- “To provide a reasonable support for those persons actually dependent upon the services of any rescue or EMS worker who may lose his or her life in the service of his or her town, county, city, or the State, either by accident or from disease contracted or injury received by reason of such service”.



Statutory Functions of Fund

NCGS 58-85-5(c)(3)

- “To award scholarships to children of members, deceased members or retired members in good standing, for the purpose of attending a two year or four year college or university, and for the purpose of attending a two year course of study at a community college or an accredited trade or technical school,”



Statutory Functions of Fund

NCGS 58-85-5(c)(4)&(4a)

- “To pay death benefits to those persons who were actually dependent upon any member killed in the line of duty.”
- “To pay additional benefits approved by the Board of Trustees of the Fund to rescue and EMS workers who are eligible pursuant to G.S. 58-88-10 and who are members of the Association”



Consequences of Discontinuing Funding

- Discontinuing fund may discourage rescue and EMS workers from providing emergency response service as it would remove the financial safety net for workers and their families
- The Department is concerned that discontinuing this Fund may negatively affect:
 - Staffing levels at Rescue/EMS Squads State-wide
 - Ability of some units to remain operational/serve communities
 - Emergency response times and patient health outcomes



Funding from other than DOT

- A portion of vehicle safety inspection fees fund Program
- Funds paid by drivers support rescue/EMS workers providing emergency response services to injured North Carolinians, including all persons involved in accidents on our roads and highways State-wide
- NCGA created Fund in 1987 with the current transportation-related source of funding currently in place
- The Department contends that the source and use of the funds are directly related and so should be considered an appropriate use of these funds



Funding from other than DOT

- If other funds were to be considered for this program, there may be issues of payments from unrelated sources being considered a new tax
- The Department would have concerns re:
 - Stability of source of funds
 - Sufficiency of new funding stream to meet needs

Policy Issues

PED study identified policy issues and made recommendations (with options) to inform General Assembly deliberation and action relating to this fund

The Department stands ready to assist the General Assembly in its consideration of PED recommendations and in development and implementation of preferred approach

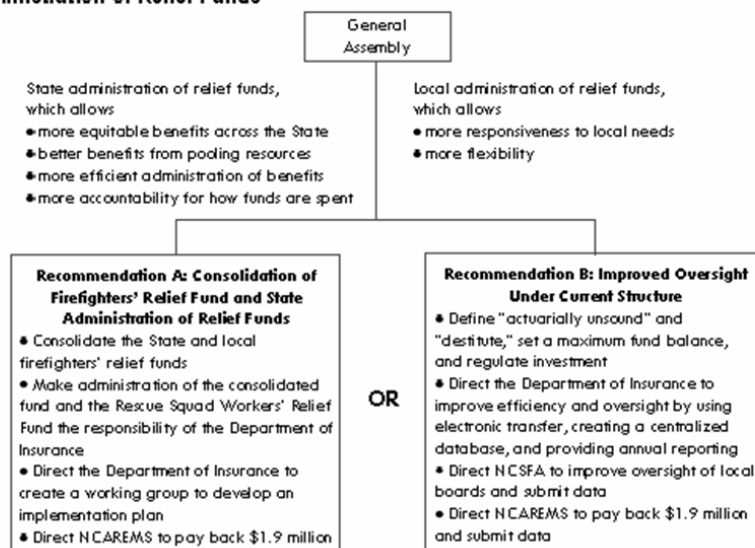


Recommendations

Relief funds for firefighters and rescue personnel are local benefits paid for with state dollars. As shown in Exhibit 16, the Program Evaluation Division's recommendations for action depend on whether the General Assembly favors state or local administration of relief funds. In terms of the Firefighters' Relief Fund, the advantage of state administration is more equitable benefits for all firefighters across the State, better benefits for firefighters from the pooling of resources, and more efficient administration. For both the Firefighters' Relief Fund and Rescue Squad Workers' Relief Fund, the advantage of state administration is more accountability for how state funds are spent. If the General Assembly favors state administration, the General Assembly should consider statewide consolidation under the administration of the Department of Insurance.³⁹ Recommendation A outlines the steps the General Assembly would have to take to implement this significant change in the way the relief funds are currently structured.

Alternatively, the General Assembly may favor local administration for the relief funds, choosing to uphold the current structure of having associations and local boards determine how funds are spent. Recommendation B enables the General Assembly to address the findings of this evaluation while leaving the current administrative structure in place.

Exhibit 16: Recommendation Options Depending on General Assembly's Preference for State or Local Administration of Relief Funds



Source: Program Evaluation Division.

³⁹ The Program Evaluation Division considered other possible levels of consolidation of the Firefighters' Relief Fund (see Exhibit 15) but determined that forcing local boards to consolidate would be ineffective and that NCSFA is not equipped to manage a consolidated fund based on the oversight issues identified in Finding 2.



expenditures will not render the fund actuarially unsound. N.C. Gen. Stat. § 58-88-15 should be modified to instruct the Department of Insurance, rather than the board, to keep a correct account of relief fund monies. N.C. Gen. Stat. § 58-88-30 should be modified to provide the Commissioner of Insurance with 14% of the vehicle inspection fees received for administration of the fund, instead of the Commissioner receiving 2% and NCAREMS receiving 12%.

A-2. Require implementation plan. The General Assembly should direct the Department of Insurance to provide an implementation plan to the House and Senate appropriations subcommittees on general government by January 1, 2015.

- **Working group.** The Department of Insurance should bring together a working group to inform the implementation plan. Representatives from NCSFA, NCAREMS, the two consolidated local board counties, the Office of the State Auditor, and the Department of State Treasurer should be part of the working group.
- **Implementation schedule.** The implementation plan should describe what steps need to be taken and when they need to be taken in order for consolidation and transfer of administration to be completed by July 1, 2015.
- **Inventory all boards.** As part of the implementation plan, the working group should survey all local boards to determine what benefits they are currently offering and what steps would need to be taken to transfer or replace those benefits.
- **Determine statewide benefits.** As part of the implementation plan, the working group should determine what statewide benefits to offer firefighters and rescue personnel. The implementation plan should identify the vendors that can provide those benefits and estimate the premiums they will charge. To reduce the State's risk in the event of a catastrophe, the working group should consider whether some relief fund money should be used to purchase reinsurance; reinsurance is insurance purchased by an insurer from other insurers to limit the total loss it would experience in case of a disaster.

A-3. Require NCAREMS to pay back \$1.9 million. The General Assembly should direct NCAREMS to pay back the \$1.9 million in relief fund money it loaned itself to buy land and an office building. As discussed in Finding 1, the Program Evaluation Division determined buying land and building an office facility were not permitted uses of Rescue Squad Workers' Relief Fund money pursuant to N.C. Gen. Stat. § 58-88-5. The General Assembly should direct NCAREMS to secure a traditional bank loan for the \$1.9 million and to pay back the relief fund by July 1, 2014. If NCAREMS fails to pay back the \$1.9 million by the date specified, the General Assembly should direct the Attorney General to file a civil action for recovery.



Recommendation A. The General Assembly should consolidate the State and local firefighters' relief funds and make administration of the consolidated fund and the Rescue Squad Workers' Relief Fund the responsibility of the Department of Insurance.

A-1. Modify statutes. The General Assembly should modify or repeal the following statutes to restructure how the relief funds are administered.

- **Repeal Chapter 58, Article 85 to abolish the separate State Firefighters' Relief Fund.**
- **Repeal the 54 local bills regarding how local boards can spend their relief fund money.**
- **Modify Chapter 58, Article 84 to combine the State and local firefighters' relief funds and transfer administration of the combined fund to the Department of Insurance.** N.C. Gen. Stat. §§ 58-84-25(a) and 58-84-50 should be modified to credit the amount forfeited by nonmember fire departments to the combined relief fund, rather than to the North Carolina State Firemen's Association (NCSFA). Instead of utilizing local boards, N.C. Gen. Stat. § 58-84-30 should be modified to name the Executive Committee of NCSFA as the Board of Trustees for the fund. N.C. Gen. Stat. § 58-84-35 should be modified to give control of the funds to the Commissioner of Insurance, rather than to local boards. The Commissioner of Insurance, based on guidelines from the new board, should determine when to provide financial assistance to destitute firefighters and should certify that expenditures will not render the fund actuarially unsound. N.C. Gen. Stat. § 58-84-25(a) should be modified to provide the Commissioner of Insurance with 4% of the premium taxes received for administration of the fund, instead of the Commissioner receiving 1% and NCSFA receiving 3%. N.C. Gen. Stat. §§ 58-84-25(b)-(d) (allocation to fire departments), § 58-84-40 (accounting and reporting by local boards), 58-84-46 (counties certifying eligibility), 58-84-55 (no discrimination by local boards), and 58-84-60 (immunity for local board members) should be repealed. In modifying the statute, the General Assembly should consider whether it still wants to make eligibility for relief funds dependent on individuals being affiliated with a fire department that is a member of NCSFA, which is currently the case pursuant to N.C. Gen. Stat. § 58-84-50.⁴⁰
- **Modify Chapter 58, Article 88 to transfer administration of the Rescue Squad Workers' Relief Fund to the Department of Insurance.** The Executive Committee of the North Carolina Association of Rescue and Emergency Medical Services, Inc. (NCAREMS) should remain the Board of Trustees of the Rescue Squad Workers' Relief Fund. N.C. Gen. Stat. § 58-88-5(c) should be modified to keep the fund revenue with the Commissioner of Insurance, rather than disbursing it to NCAREMS, and to have the Department of Insurance, rather than the board, certify that

⁴⁰ The statute could not simply be modified to make eligibility for relief funds dependent on eligibility for NCSFA membership, as is the case with the Rescue Squad Workers' Relief Fund, because NCSFA does not have individual members.